APPENDICES

- Required Budget Reform Documents

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REQUIRED BUDGET REFORM DOCUMENTS					
Agency Strategic Plan	**Purpose/Description**	**Users**	**Financial Data**	**Performance Measures**	**Due Date**

Includes: mission, description, internal/external assessment; strategic issues; agency-wide goals; objectives; performance measures; and summary fund and FTE position information.	• **Serves as a source document for the Master List.**
	• Clarifies strategic issues and establishes future direction for the organization as a whole.
	• May identify issues that become elevated to level of statewide importance.
	• Uses a top-down approach that transcends program/subprogram structure.
	• Goals may cross program lines.
	• Prospective; provides strategic direction for programs and sets framework for budget priorities.
		• **Published in the Master List.**
		• OSPB and JLBC Staff.
		• May also be provided to the public.
			• Includes *all* funding sources; matches budget request.
			   For example, plans filed April 1, 1998 will contain:
			FY 1997 actual $ (through 13th month),
			FY 1998 appropriation, and FY 1999 request.
				• Includes key, results-oriented performance measures.
				• Previous, current and 3 future years.
				   For example, plans filed April 1, 1998 will contain:
				FY 1997 actuals, and FY 1998, FY 1999, FY 2000 and FY 2001 estimates.
					• April 1 of every even-numbered year.
					• Update annually for internal use.

Program or Subprogram Strategic Plan	**Purpose/Description**	**Users**	**Financial Data**	**Performance Measures**	**Due Date**

Includes: mission, description, internal/external assessment; internal and external goals; objectives; performance measures; and summary fund and FTE position information.	• **Serves as a source document for the Master List.**
	• Establishes future direction and results to be achieved for each agency's programs and subprograms.
	• Provides a bottom-up approach to strategic planning.
	• Prospective; goals reflect all key primary activities or strategic directions.
	• May generate issues that are elevated to agency strategic plan.
		• **Key information is published in the Master List.**
		• Primarily internal to agency.
		• OSPB and JLBC Staff use to evaluate programs during the Program Authorization Review (PAR) process.
			• Includes *all* funding sources; matches budget request.
			   For example, plans developed April 1, 1998 will contain:
			FY 1997 actual $ (through 13th month),
			FY 1998 appropriation, and FY 1999 request.
				• Includes *all* performance measures.
				• Previous, current and 3 future years.
				   For example, plans filed April 1, 1998 will contain:
				FY 1997 actuals, and FY 1998, FY 1999, FY 2000 and FY 2001 estimates.
					• Prepare by April 1.
					• Update annually for internal use or for PAR process.

REQUIRED BUDGET REFORM DOCUMENTS					
Master List	**Purpose/Description**	**Users**	**Financial Data**	**Performance Measures**	**Due Date**
Includes: agency internal/external assessment and strategic issues; agency, program and subprogram mission, description, internal and external goals; objectives; performance measures; and summary fund and FTE position information.	• **Serves as a public reference document. Includes agency strategic plan as well as summaries of all State government programs to assist legislators, the Governor, and other state policy makers.** • Shows progress for past fiscal year, and estimated progress for current, and three future years. • Combines budget unit/program strategic plans with fiscal information. • Includes <u>key external</u> (and sometimes, internal) goals and performance measures extracted from agency/program strategic plans. • Available on Internet www.state.az.us/ospb/, then click on icon.	• OSPB and JLBC Staff. • The Governor and Legislators. • The public.	• Includes statutory funding formula, where applicable. • Includes *all* funding sources; matches budget request. For example, the Master List information submitted April 1, 1998 will contain: FY 1997 actual $ (through 13th month), FY 1998 appropriation, and FY 1999 request.	• Key results-oriented agency, program and subprogram performance measures. • Previous, current and 3 future years. For example, plans filed April 1, 1998 will contain: FY 1997 actuals, and FY 1998, FY 1999, FY 2000 and FY 2001 estimates.	• April 1 of every even-numbered year. • OSPB publishes July 1 of every even-numbered year.
Budget Request	**Purpose/Description**	**Users**	**Financial Data**	**Performance Measures**	**Due Date**
Includes: agency mission; program/cost center missions, descriptions; and agency goals and key performance measures, which should, <u>at a minimum</u>, contain all those published in the Master Program List.	• **Establishes the agency's request for <u>appropriated</u> funds to carry out its mission.** • Provides justification for resources requested to implement programs. • Requests for increases should be based on mandates, demographic or critical issues and should be linked to the strategic plan. • Beginning September 1998, Requests are for biennial period. *Note:* Current program structure for strategic plan and operating budget cost centers may not match.	• OSPB and JLBC Staff use to develop budget recommendations. • Agencies use internally.	• Includes detailed financial information to justify request. The September 1, 1998 FY 2000 and FY 2001 biennial request will contain: FY 1998 actual $ (through 13th month), FY 1999 appropriation, and FY 2000 and FY 2001 request.	• 1-page summary of key results-oriented agency performance measures. • Program/cost center performance measures. • 3 previous, current and 2 future years. For example, the September 1, 1998 submittal, will contain: FY 1996, FY 1997 and FY 1998 actuals and FY 1999, FY 2000 and FY 2001 estimates.	• September 1, 1998 for *all* budget units. • Submitted every even-numbered year, beginning 1998.

BUDGET REFORM LEGISLATION

Relevant budget reform statutory cites from Chapter 210, Laws 1997

Program Budgeting:

A.R.S. §35-113. Submission of budget estimates.

- By July 1, 1998, the staff of JLBC and OSPB shall issue a schedule specifying the year in which each budget unit shall begin submitting the financial requirements for each program and subprogram for which the budget unit is wholly or partially responsible as determined pursuant to section 35-122.

- All budget units shall be converted by FY 2006.

Administrative Costs:

A.R.S. §35-115.5. Contents of budget report.

- For the 1999-2000 FY and thereafter, delineation, by budget unit, of requested expenditures for Administrative costs, including:
  - Administrative personnel salaries and
  - Employee related expenses and
  - Direct, indirect and shared costs for administrative office space, equipment, supplies and overhead.

- For purposes of this paragraph, "administrative" means any supportive activity relating to management, supervision, budget or execution of the affairs of the budget unit as distinguished from activities relating to its primary direct service functions.

- The process of delineation and determination of what constitutes administrative costs for each budget unit shall be developed by OSPB in consultation with the director and staff of JLBC.

Strategic Plans:

A.R.S. §35-122A.1. <u>Strategic plans.</u>

- Developing a strategic plan for the entire budget unit. At a minimum, the plan shall extend for the current fiscal year and the two ensuing fiscal years and shall contain a mission statement, goals, objectives and performance measures for the budget unit as a whole. The performance measures shall be stated in terms that are consistent with a budget unit's goals and objectives and that emphasize results. The strategic plan shall be submitted to OSPB and JLBC by April 1 *of each even-numbered year*.

Master List of State Government Programs:

A.R.S. §35-122C. <u>Program lists.</u>

- OSPB shall compile the submissions required in subsection B (Program and Subprogram information from agencies) and shall publish by *July 1 of each even-numbered year*.

PAR:

A.R.S. §41-1275. <u>Program authorization review; procedures.</u>

- A. In consultation with OSPB, the staff of JLBC shall meet with the JLBC before December 31 of each odd-numbered year to develop and prepare legislation for introduction in even-numbered years to subject programs developed under section 35-122 to a PAR.

- C. Each office *may* independently recommend whether to retain, eliminate or modify funding and related statutory references for the programs that are subject to PAR.

- D. The speaker of the House of Representatives and the President of the Senate shall appoint sufficient joint program authorization review committees to evaluate the program authorization review findings and any recommendations made pursuant to subsection C of this section. Each joint program authorization review committee shall have representation from members of both parties in a proportion equal to that of the political make-up of each house. In addition to the legislative members, for each committee, the Governor shall appoint a private citizen with experience in cost benefit analysis, the President of the Senate shall appoint a private citizen with a general business background and the Speaker of the House of Representatives shall appoint a private citizen. Each joint PAR committee may be responsible for more than one PAR.

After receipt of the PAR findings, the joint PAR committee shall hold at least one public hearing for the purpose of recommending whether to retain, eliminate or modify funding and related statutory references for the programs subject to review. The joint PAR committee shall make its recommendations to the Governor, the President of the Senate and the Speaker of the House of Representatives by December 15 of each odd-numbered year. The PAR committee shall oversee the preparation of any proposed legislation to implement its recommendations and is responsible for the introduction of this legislation. Each joint PAR committee has the power of legislative subpoena pursuant to Article 4 of this chapter.

GLOSSARY – PLANNING AND BUDGETING TERMS

<u>Accountability</u> - Monitoring, measuring, and evaluating the performance and progress of policies, plans and programs to ensure that results are achieved.

<u>Action Plan</u> - A detailed description of the strategies and steps used to implement a strategic plan.

<u>Administrative Costs</u> – The accounting, human resources, budgeting, strategic planning, public information, auditing, and executive management expenses associated with the support, management, and oversight of services delivered in support of an agency, program or subprogram mission.

<u>AFIS</u> - The Arizona Financial Information System, which is the statewide accounting system maintained by the Department of Administration. Also known as USAS (Uniform Statewide Accounting System).

<u>A.R.S.</u> - An abbreviation for Arizona Revised Statutes - the laws governing the State of Arizona.

<u>Baseline</u> - Base level of previous or current performance that can be used to set improvement goals and provide a basis for assessing future progress.

<u>Benchmarking</u> - The continuous process of collecting information on external standards, processes, and/or best practices, evaluating why they are successful and applying what is learned.

<u>Biennial Budget</u> - A process that estimates revenues and expenditure for a two-year period.

<u>Budget Reform Legislation</u> - Refers to the provisions contained in Laws 1993, Chapter 252; Laws 1994, Chapter 218; Laws 1995, Chapter 283; Laws 1996, Chapter 339; and Laws 1997, Chapter 210.

<u>Budget Unit</u> - "Any department, commission, board, institution or other agency of the state organization receiving, expending, or disbursing state funds or incurring obligations against state funds." (A.R.S. § 35-101) All budget units are subject to the requirements of budget reform legislation.

<u>Capital Outlay</u> - Expenditures for the acquisition, construction, development, improvement, major maintenance, and/or preservation of buildings and property.

<u>Cost-benefit Analysis</u> - A management tool that involves calculating or estimating the known costs and potential benefits of a course of action under consideration.

Critical Issues - Strategic issues that are brought to the Governor's attention through the budget unit operating budget request. (See Strategic Issues.)

Customer – Anyone whose best interests are served by, or who receives or uses the products or services of, an agency, program or subprogram.

Efficiency Measure - A type of performance measure that reflects the productivity or cost of providing a good or service.

External Assessment - An analysis of key external elements or forces that affect the environment in which an organization functions. Also called an Environmental Scan.

Financial or Budget Manager - The person responsible for analyzing fiscal impacts of potential strategies, projecting resource allocation needs, and using the strategic plan to guide development of the annual operating and capital outlay budgets.

FTE - Full-time equivalent positions, calculated at either 2080 hours or 2088 hours per year.

Fund - An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves and equities, which are segregated for the purpose of carrying on specific activities in accordance with limitations, restrictions or regulations.

FY - An abbreviation for Fiscal Year. Arizona's fiscal year begins July 1 and ends June 30; the Federal fiscal year begins October 1 and ends September 30.

GAO - The General Accounting Office of the Arizona Department of Administration.

Gap Analysis - An identification of the difference between the desired and the current state.

GITA - An abbreviation for the Government Information Technology Agency.

Goal - The desired end result, generally after three or more years.

HB - An abbreviation used to denote a House Bill

Input - A type of performance measure that identifies the amount of resources needed to provide particular products or services.

Internal Assessment - An evaluation of an organization's position, performance, problems and potential. Also called a Situation Inventory.

IT - An abbreviation for Information Technology.

JLBC - The Joint Legislative Budget Committee consisting of 16 members of the Legislature which include the following members: Majority Leaders of both the House and Senate; Chairmen of both the House and Senate Appropriations Committees; Chairman of the Senate Finance Committee; Chairman of the House Ways and Means Committee; 5 members of the House Appropriations Committee; and 5 members of the Senate Appropriations Committee.

JLBC Staff - The Legislative counterpart to the OSPB; they prepare an analysis of the Governor's budget recommendation as soon as it is presented to the Legislature. *Note:* Although the Joint Legislative Budget Committee Staff is often referred to as the JLBC, it should not be confused with the Legislative Committee described above.

Master List of State Government Programs – A list, published by OSPB, which inventories all programs and subprograms in Arizona state government. Included in the list are: *agency* descriptions, missions, goals, objectives, performance measures and summary FTE and funding information; and program and subprogram descriptions, missions, goals, performance measures and FTE and funding information.

Mission - A brief, comprehensive statement of purpose of an agency, program, or subprogram.

Objectives - Specific and measurable targets for accomplishing goals.

OEG - An abbreviation for the Governor's Office for Excellence in Government. The OEG serves as the "in-house" management consulting resource within the executive branch and provides consulting services designed to reduce the size and cost of State government through agency-driven initiatives that streamline agency operations, and improve the quality and efficacy of services to the public. The OEG Institute provides comprehensive, standardized strategic management training and services designed to instill strategic management principles and practices that assist the State's workforce in cost-effectively managing and serving the public.

Operating Budget - A plan of all proposed expenditures other than capital expenditures, including Personal Services, Employee Related Expenditures, Professional and Outside Services, Travel, Other Operating Expenses, and Equipment.

OSPB - An abbreviation for the Governor's Office of Strategic Planning and Budgeting. The OSPB staff advises the Governor in the preparation of the Executive Budget, facilitates a strategic planning process for state government and is responsible for implementing many of the provisions of budget reform legislation.

Outcome - A type of performance measure that reflects the actual results achieved, as well as the impact or benefit, of a program.

Output - A type of performance measure that focuses on the level of activity in a particular program or subprogram.

Performance Measures – Used to measure results and ensure accountability.

Performance Targets - Quantifiable estimates of results expected for a given period of time.

Planning Assumptions - Expectations concerning future trends that could significantly impact performance (derived from the Internal/External Assessment results).

Principles – The core values and philosophies that describe how an agency conducts itself in carrying out its mission.

Program – Activities that result in the accomplishment of a clearly defined mission.

Program Authorization Review (PAR) - A formal evaluation of state government programs or subprograms. The PARs are conducted in three phases: an agency self-assessment, a review and joint report by OSPB and JLBC Staff, and recommendations to retain, eliminate or modify the programs or subprograms.

Quality Management - An integrated management methodology that aligns the activities of all employees in an organization with the common focus of customer satisfaction through continuous improvement in the quality of all activities, goods, and services.

Quality Measure - A type of performance measure that reflects the effectiveness in meeting the expectations of customers and stakeholders.

Resource Allocation - The determination and allotment of resources or assets necessary to carry out strategies and achieve objectives, within a priority framework.

SB - An abbreviation used to denote a Senate Bill.

SLI - an abbreviation used to denote a special line item in the appropriations bill.

Stakeholder – Any person or group with a vested interest in or with expectations of a certain level of performance or compliance from an agency, program or subprogram.

Strategic Issues - Those concerns of vital importance to the organization, which often impact several or all of the programs in an agency.

Strategic Management - The process of positioning an organization so it can prosper in the future. The overall framework within which policy development, strategic/quality planning, programmatic operational planning and budgeting, capital outlay planning and budgeting, program implementation, program evaluation and accountability take place.

Strategic Plan - A practical, action-oriented guide based on an examination of internal and external factors that directs goal-setting and resource allocation to achieve meaningful results over time.

Strategic Planner - A person who provides the coordination and tools for moving the organization through the planning process.

Subprogram - Two or more integral components of a program that can be separately analyzed to gain a better understanding of the larger program.

SWOT Analysis – An abbreviation used to denote an analysis of an organization's internal **S**trengths and **W**eaknesses, and external **O**pportunities and **T**hreats. Also called an Internal/External Assessment.

Tracking Systems - Monitor progress, compile management information and keep goals on track.

Vision - A compelling, conceptual image of the desired future.

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RESOURCES

To obtain further information on **strategic planning and performance measures**, contact:

Rebecka Derr, Strategic Management Analyst, 542-5392, or
The Governor's Office of Strategic Planning and Budgeting at 542-5381.

The Handbook is available on the World Wide Web. The address for the Governor's Office of Strategic Planning and Budgeting Home Page is:

http://www.state.az.us/ospb.

For information on available **training courses**, contact:

The Office for Excellence in Government (OEG) Institute, at 542-7000.

For **population and economic data**, contact:

The Research Administration, Arizona Department of Economic Security at 542-3871.

For information on current **budget assumptions**, refer to your agency's most recent budget submittal, the most recent OSPB Budget Instruction Manual or call your OSPB Budget Analyst at 542-5381.

For information on **technological trends and the State's Information Technology Strategic Plan**, contact:

The Government Information Technology Agency (GITA) at 340-8538.